

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH & HUMAN SERVICES**

**Call to Order:** By **CHAIRMAN DAVE LEWIS**, on February 19, 2001 at 8:00 A.M., in Room 152 Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. Dave Lewis, Chairman (R)  
Sen. John Cobb, Vice Chairman (R)  
Rep. Edith Clark (R)  
Rep. Joey Jayne (D)  
Sen. Bob Keenan (R)  
Sen. Mignon Waterman (D)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Robert V. Andersen, OBPP  
Pat Gervais, Legislative Branch  
Lois Steinbeck, Legislative Branch  
Connie Welsh, OBPP

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted:  
Executive Action: Addictive and Mental Disorders  
Division

#### **DISCUSSION AND EXECUTIVE ACTION ON ADDICTIVE AND MENTAL HEALTH DISORDERS DIVISION**

***{Tape : 1; Side : A; Approx. Time Counter : 0.4-3.1}***

**CHAIRMAN LEWIS** suggested that in taking the maintenance of effort (MOE) from 77% down to 75% the Committee make it retroactive one year. Such an action would be worth \$400,000 in general fund if this were done. Since there was a motion to approve a Committee bill, and it would now be slightly changed, the Committee should revote on the issue. **Ms. Gervais** said that she spoke with **Greg**

**Petes**, **LSD Counsel**, regarding making it retroactive to 7/1/99 which would be the beginning of the current biennium.

**{Tape : 1; Side : A; Approx. Time Counter : 3.1-3.3}**

**Motion/Vote:** REP. LEWIS moved TO MAKE THE CHANGE IN MOE FROM 77% TO 75% RETROACTIVE TO 7/1/99. Motion carried 5-1 with Waterman voting no.

**{Tape : 1; Side : A; Approx. Time Counter : 3.3-32.8s}**

**Lois Steinbeck, LFD**, reviewed the summary of Addictive and Mental Disorders Division budget changes in the Governor Martz budget on page 4 of the Executive Action handout **EXHIBIT(jhh41a01)**. The items on which the Committee will act are listed as changes presented to Subcommittee in Table 1.

Table 2 compares the difference between present law and adjusted base caseload estimates for the Mental Health Services Program (MHSP) between DPHHS and legislative staff. When the Committee took action, on the Supplemental, it received a sheet that laid out how the LFD and Department developed recipient monthly costs. The biggest differences are the initial base monthly rater pre recipient and the average number of monthly recipients. In making its estimates, LFD held the caseload estimates flat since that is how administrative rules are written. If the number of recipients is to be increased, it is a legislative policy and appropriation decision. The Executive caseloads increase the number of dual eligible children both years of the biennium compared to FY01. Adults are held the same by both.

The policy issue is whether the Committee will appropriate additional funds to accommodate a potential increase in the number of CHIP eligible children who are also eligible for mental health services.

The second policy issue is the adjusted base rate the Committee should use. The LFD chose a starting base using last six months of FY02 to estimate the average cost per case. DPHHS based its initial rate on costs incurred in May 2002. On the graph handed out by DPHHS **EXHIBIT(jhh41a02)**, Committee members can see that DPHHS used the second highest monthly cost to estimate average cost per case.

In Table 3, the differences estimated for FY01 provider increases authorized by the legislature and the psychiatrist rate increase given in addition to that authorization of the Legislature, and the frontier rate increase are seen. The psychiatrist rate increase is listed as a new proposal, but in the development of the rates as given, Legislative Staff included it as a base adjustment. LFD also included a reduction in adult costs for

elimination of partial hospitalization and DPHHS did not. After all those adjustments, starting with FY01 as the initial rate, Legislative Staff is about \$13 below DPHHS for adult rates, and \$176 lower than DPHHS for children's rates.

In looking at the establishment of the FY02 and FY03 rates, the only change is inflation for drug costs. Since CHIP covers drugs, there is no inflation included for children's drug costs. The difference between DPHHS and the LFD is based on the DPHHS use of a 15% annual increase in the cost of prescription drugs and LFD use of the change projected in the Medicaid caseload estimates less 2% the first year and 1% the second year. The reductions made by LFD were a judgment call since there is no reliable data on the increases in psychiatric drugs.

**SEN. WATERMAN** asked why there was an assumption that the inflation rate for drugs would be less than it is in Medicaid.

**Ms. Steinbeck** responded that there is a capped enrollment program and at some point utilization will stabilize, which would mean that the medication mix would not change. The Medicaid caseload projections indicate that 4% of their drug increase is inflation and the rest is utilization.

**SEN. WATERMAN** asked why the Department believes the caseload will be higher and requested a review of the use of added community incentives and the planning to implement a regional mental health system. **Dan Anderson, Administrator of the Addictive and Mental Disorders Division**, explained that the Department has assumed certain things in the caseload that the LFD has not. In the original Executive Budget request, there was an anticipated increase in the CHIP membership during the second year of the biennium. A percentage of those new CHIP recipients would also be MHSP recipients who, if qualified, would have to be enrolled in CHIP. The Department has also assumed a somewhat higher gross penetration rate in the MHSP program. Both LFD and the Department dealt with cost per recipient when looking at cost. At any given month there are actually more members of the group than there are people receiving services. The assumption was made that parents of children with serious mental and other health problems would be more likely to hold onto the CHIP and the MHSP benefit. As a result, over time there would be a slightly higher percentage of members who actually were recipients.

Some of the differences in projection are shown in the charts in Exhibit 2, which show the cost per recipient and are important in the Department's rationale in determining the cost per recipient. The Department will continue to receive claims for services from the latter half of February through June of last year. It can be expected that the trend line will become even steeper in the

growth direction. As a result of this growth cost, the Department selected May of 2000 as the base for the cost projections for this biennium. Too often the Department has taken a too rosy view in terms of the projected costs of the program. It is important to go into the next biennium with a realistic basis for projecting actual costs of the program.

In response to **SEN. WATERMAN's** question about the community/MHS incentive money, it was explained that the state hospital population has grown significantly since the beginning of this fiscal year, and at this point it averages at 180 patients per day for FY01. The budget submitted is for a population of 165. The Department could have proposed an increase to cover state hospital population increases, but would prefer to propose funds that would be the amount needed to add to the state hospital budget should the population not go down, and work with mental health providers and hospitals to keep the population down.

***{Tape : 1; Side : A; Approx. Time Counter : 32.8-52}***

**SEN. WATERMAN** suggested that **SEN. COBB** put one of his fences around this money and have the Department work out a way that this money will be made available to community providers to set up a placement committee to buy beds in the state hospital or develop beds in the community. If the money is not put in the community at the start, it will just be a black hole. **SEN. COBB** said that someone else may want that money back in the state hospital budget.

In further discussion, **CHAIRMAN LEWIS** suggested that the money be put toward the state hospital with set rules so that as slots are developed in the community the money follows the patients out. If the slots are not developed, then the operation at Warm Springs takes the money. **SEN. WATERMAN** commented that there is no incentive in that plan to prevent local communities from sending patients to Warm Springs instead of developing community beds for them. At the moment, the state hospital does not have any control, and it is not a certainty that the gatekeeper system will be passed. Right now, there is no disincentive for communities to place people at the state hospital.

In further discussion, **SEN. COBB** expressed concerns should the population at Warm Springs continue to rise and the money not be there. **SEN. WATERMAN** said that the communities should pay part of the cost of placing people in Warm Springs which would create the necessary disincentive to placing people there.

**Ms. Steinbeck** suggested that the Department could price the beds differently, a tool sometimes used in health care to ration the use of services. Emergency detention beds could be priced

differently than other beds. The Medicare cost settlement would potentially be reduced. If the hospital levels stay as they are, then the Department could possibly make money.

**SEN. KEENAN** said that there is a budget for Warm Springs, which is the incentive for communities to keep the population down so that the money could be moved to the communities. In discussions with **Mr. Anderson**, the suggestion was made to budget for 175, and as the biennium progressed to move the money into the communities if they are successful in keeping the Warm Springs population down. There is not going to be any money for mental health in communities outside of Warm Springs unless the population can be kept down. The Committee needs to budget for Warm Springs so that the community mental health providers will see that the money goes into the community as the population there decreases.

*{Tape : 1; Side : B; Approx. Time Counter : 0.3-3}*

In further discussion, **SEN. WATERMAN** said that somehow this money has to be used to reduce the population. At this point, there is no hook to get judges, county attorneys, and local mental health centers to buy in to this. **SEN. COBB** asked **Ms. Steinbeck** if the Department were to charge different prices for services could it get away with it. **Ms. Steinbeck** said that these options are not prevented by law, but that the effect on Medicare reimbursement rate would need to be watched. **SEN. COBB** suggested that maybe the LFD and the Department could study this for another week or two to find out whether the services can actually be charged, then the money could be put into communities. If the Department is short, the money can be got out of the communities that send people to Warm Springs. If this cannot be done, then the money needs to be put in Warm Springs.

*{Tape : 1; Side : B; Approx. Time Counter : 3-8.4}*

**SEN. WATERMAN** continued that if the Department starts charging people higher for emergency detentions, then communities may charge people with misdemeanors and put them in with the forensics population which would not be a good solution either.

**Mr. Anderson** remarked that should the Department charge a premium price for emergency detentions, which is a good idea, there would need to be a statutory change. In terms of the communities paying for excess use of the state hospital, it could be done on a contractual basis.

In discussion of the gatekeeping issue, **SEN. WATERMAN** said that the Senate Public Health Committee agreed to allow the gatekeeper bill and the assisted outpatient treatment bill to not meet transmittal. Consumers and patients were supportive of the bills, but counties and mental health treatment centers were opposed to them. **REP. JAYNE** commented that district courts and

prosecutors do not think about where the money is coming from for the services. If there is a referral, they just do it, so they have a big stake in keeping control.

***{Tape : 1; Side : B; Approx. Time Counter : 8.4-13.7}***

**SEN. KEENAN** said that the consumers that he talks with do not want to go to Warm Springs so there is incentive for them to stay out. Warm Springs is no longer a warehouse for people and is populated by people who are very ill and need to be there. Adults are in stabilization, some degree of recovery and work, but if there are people in Warm Springs that is where they need to be. The kids can be helped.

**Mr. Anderson** responded to a question from **SEN. WATERMAN** that he does think that there are some people at Warm Springs that could be in the community with the right kind of services, and there are a number of inappropriate admissions. **SEN. KEENAN** continued his remarks on the changes in the mental health issues and diagnoses. Much of what is dealt with in children's mental health are children born of addictive parents with fetal alcohol effect (FAE) and fetal alcohol syndrome (FAS) and kids being born with methamphetamine addiction. It may be that there will be 500 people in Warm Springs in ten years.

***{Tape : 1; Side : B; Approx. Time Counter : 13.7-19.1}***

**Motion:** **SEN. COBB** moved **TO ADD THE COMMUNITY MENTAL HEALTH SERVICE INCENTIVE TO THE REDUCED CASELOAD PROJECTION AT MONTANA STATE HOSPITAL BIENNIALY.**

**Discussion:** **SEN. KEENAN** remarked that over the last couple of years some progress has been made as far as recognizing mental illness and getting people to work together. **SEN. WATERMAN** is in her last term and has been working long hours to try to come up with solutions to the problem. It is disheartening to have people come in and say that it can't be done. He is hoping that people will decide to work together again on consumer-centered solutions with fiscal responsibility. This comes with prioritizing who is served and how they are served. The big one is children. **CHAIRMAN LEWIS** continued that the people are in Warm Springs and the population needs to be reduced and there will be no more money for them. **SEN. WATERMAN** remarked that in working on the gatekeeper legislation, she had tried to include a lot of people, but just did not get very far.

**CHAIRMAN LEWIS** called for a roll call vote.

***{Tape : 1; Side : B; Approx. Time Counter : 19.1-22.2}***

**Vote:** Motion carried 5-1 with Jayne voting no.

**{Tape : 1; Side : B; Approx. Time Counter : 22.2-28.8}**

**Motion:** SEN. COBB moved TO REDUCE MHSP CASELOAD PROJECTIONS AT \$2 MILLION IN FY02 AND \$1.8 MILLION IN FY03 GENERAL FUND OF THE BIENNIUM.

**Discussion:** REP. JAYNE asked what the effect of this motion would be. Ms. Steinbeck replied that it would recognize the service reductions and the eligibility reductions in the Executive Budget. The Executive has counted this cost savings toward its supplemental mitigation plan. If the money were left in, the Committee would need to direct a use for it. The measures that the Department had taken to reduce the Supplemental were reviewed.

Ms. Welsh clarified that this is a reprojection of the MHSP program, but does not pay for the Supplemental. It is not unlike what was done for foster care, where the projections were updated and realigned with the programmatic needs identified at that time.

**{Tape : 1; Side : B; Approx. Time Counter : 28.8-29.9}**

**Vote:** Motion carried 5-1 with Waterman voting no.

**{Tape : 1; Side : B; Approx. Time Counter : 29.9-40.2}**

**Motion:** SEN. COBB moved TO ADOPT THE ALCOHOL STATE SPECIAL REVENUE.

**Discussion:** Ms. Steinbeck explained that \$75,000 per year of this money will be used in the Montana State Hospital budget, and the Montana State Hospital will contract with the Chemical Dependency Center for two CD counselors. The \$417,000 balance will be contracted to community providers to contract for chemical dependency services and all mental health services except for drug costs for eligible individuals. There is some general fund offset, but it is creation of a new program.

Ms. Steinbeck explained that she was trying to figure out a way to accomplish a \$1 million annual transfer to counties. She had briefly reviewed the amendment which caused concerns, and it conflicts with the statutory appropriation language. SEN. WATERMAN said that amendments have been added on top of other amendments and the bill does not work the way it is now.

CHAIRMAN LEWIS asked if the Committee had approved the \$1 million transfer package when it went over the alcohol refinance issue.

Ms. Steinbeck said that this would have been approved by approval of the budget. The issue in question is that the statute before all amendments says that the earmarked alcohol tax that DPHHS gets goes into an account and after the Legislature can

appropriate for various uses, whatever is left is statutorily appropriated to counties. A vehicle needs to be created that gets \$1 million each year, period. **CHAIRMAN LEWIS** said that they can vote on this motion, as long as **Ms. Steinbeck** and the Department work on the language and get back to the Committee.

**{Tape : 1; Side : B; Approx. Time Counter : 40.2-44.7}**

**Vote:** Motion **carried unanimously.**

The issue identified in the mental health block grant is whether enough general fund remains in the budget and would be spent in ways that qualify for the mental health block grant. The Department would not lose the entire block grant, but depending on Committee and Executive Actions loss of the grant is potentially possible. **Bob Mullen, Operations Bureau Chief, Addictive and Mental Health Disorders Division**, said that the current budget projection is a deficit of \$350,000 in FY02. If the money proposed in the budget for planning were spent in the first year of the biennium, there would be no effect on the block grant. If some of the money moved to the state hospital was not necessary, and the Department was successful working with communities in keeping the state hospital population at lower levels, that money could be spent in communities, and there would be no problems with the block grant. The effect would not be in FY02, but in FY03. In FY02, the Department is projecting a small deficit in maintenance of effort.

**{Tape : 1; Side : B; Approx. Time Counter : 44.7-45.9}**

**Motion/Vote:** REP. LEWIS moved **TO ACCEPT THE EXECUTIVE PROPOSAL ON THE FUNDING FOR THE MENTAL HEALTH BLOCK GRANT**. Motion carried unanimously.

**{Tape : 1; Side : B; Approx. Time Counter : 45.9-51.4}**

**SEN. COBB** asked how the Department will pay for the clinicians that the Committee gave them. **Director Gray** said that her understanding was that the Committee had put money in for the rest of this year, but had not continued to the next biennium. **SEN. COBB** said that he wants to continue to the next biennium since he does not think there will be a regional plan without the clinicians. **SEN. WATERMAN** asked if part of this money could be used to continue the FTE or does the Department need it for other purposes. **Mr. Anderson** said that the regional planning item consists of 3 FTE and some consulting money to hire a consultant to work with the Department through the planning process.

**{Tape : 2; Side : A; Approx. Time Counter : 0.4-4}**

**Mr. Anderson** continued that the plan includes putting a lot of emphasis on regional groups to come up with a plan. There is



sufficient funding, but this would call for a little bit of shift in terms of the types of FTE hired. The other issue with the planning versus crisis issue is one of the reasons for asking for additional money for the planning process to allow some additional staff and consulting resources to work on that so that the Department does not get bogged down in patching the current system. There should be 4 FTE for the regional planning.

**SEN. COBB** commented that the clinicians are not part of the regional planning, and he is trying to figure out a way to pay for them. The Committee will either have to go back to the \$2.4 million that was given for Warm Springs and use some of that money for the clinicians or will have to find some new money.

**Mr. Anderson** clarified that there are FTE in the \$417,000 general funds biennial appropriation for the regional planning process. The Department did anticipate that the community incentive money for the state hospital could include the kind of clinicians that are helping to develop community services. If this is in the state hospital, it would be an appropriate use for the funds.

**Ms. Welsh** commented that the OBPP has the ability to offer modified FTE to the Department during the interim so if they have the funds to do these services then they can request and the Budget Office can put on modified FTE.

**SEN. COBB** said that the Committee should just do regional planning and he will go back for that \$2.4 million and make sure that some of that money is used for those current 1.2 FTE on board if that would be okay with the Committee.

*{Tape : 2; Side : A; Approx. Time Counter : 4}*

**Motion:** **SEN. WATERMAN** moved TO ADOPT THE \$417,000 IN REGIONAL PLANNING WITH THE UNDERSTANDING THAT IT INCLUDE 4 FTE AND CONSULTANT SERVICES AND THAT IT BE RESTRICTED SO IT CANNOT BE USED FOR ANYTHING ELSE.

**Discussion:** **CHAIRMAN LEWIS** asked about reasonable cost for the Mental Health Oversight and Advisory Committee for travel, meal, consulting, and contract people. **Randy Poulsen, Mental Health Services Bureau Chief, Addictive and Mental Health Disorders Division**, said that he does not have the exact figure, but that he thinks it is \$60,000 included in the base budget. This does include support of the Consensus Council, but consultants are not included in it. **SEN. KEENAN** asked whether with the \$417,000 general fund for regional planning, the Committee has exhausted all possibilities of match on that money. In further discussion, it was determined that the Department cannot get federal money that is over and above the \$417,000. The total cost of the planning is \$690,000.

**SEN. WATERMAN** asked if the Committee needs to include federal spending authority and if there is enough authority for the youth justice grant for the children's initiative in this. **Ms.**

**Steinbeck** commented that unless the grant is received during the session the Committee does not need to put it in the bill, but that it can be added by budget amendment. **SEN. WATERMAN** added federal spending authority to her motion.

*{Tape : 2; Side : A; Approx. Time Counter : 9.5-10.6}*

**Vote:** Motion carried unanimously.

*{Tape : 2; Side : A; Approx. Time Counter : 10.6-10.8}*

**Motion/Vote:** **SEN. WATERMAN** moved **THE CONTRACT FOR THE PSYCHIATRIC RATE INCREASE AND THE MATCHING FEDERAL FUNDS**. Motion carried unanimously.

*{Tape : 2; Side : A; Approx. Time Counter : 10.8-14.5}*

**Motion:** **SEN. COBB** moved **THAT THE \$2.4 MILLION BE ADDED TO WARM SPRINGS FROM THE COMMUNITY MHS INCENTIVE AND THAT IT BE USED TO PAY FOR THE CLINICIANS**.

**Discussion:** After further discussion, it was agreed that the motion would include 2 FTE and 2 contractors with federal matching funds in order to allow the Department some flexibility.

*{Tape : 2; Side : A; Approx. Time Counter : 14.5-15.2}*

**Vote:** Motion carried unanimously.

*{Tape : 2; Side : A; Approx. Time Counter : 15.2-33.8}*

**Ms. Steinbeck** referred the Committee to Table 2 of Exhibit 1, and discussed the need to make a policy decision on the estimates to use. If the Committee were to use the LFD staff estimate, and there were more CHIP eligible children that become eligible for MHSP, then the Department would need to reduce adult slots.

The Committee discussed **SEN. WATERMAN's** proposal to fund elimination of the resource test for Medicaid eligibility. **SEN. WATERMAN** said that she wants to increase eligibility and freeze funding at current levels. If the resource test elimination is carried through, 900 kids are moved from CHIP to Medicaid, freeing up those slots, no money needs to be added. Census projections indicate that the Department is currently close to reaching all of the kids under 150% of poverty. The Committee may want to consider increasing eligibility so that federal block grant dollars will not have to be turned back since there are not enough kids under 150% of poverty.

In further discussion, **CHAIRMAN LEWIS** said that it had been left for consideration, but that **Mary Dalton** had indicated that increasing the eligibility to 175% would allow the empty slots to be filled. **SEN. KEENAN** suggested that the Committee may be heading to reduced provider rates under CHIP, which would create the same sort of mess that is being seen in dental and Medicare/Medicaid, which may cause providers to pull out of CHIP.

**Ms. Dalton, Medicaid Services and CHIP Bureau Chief**, said that if **SEN. WATERMAN's** bill goes through, in the second year about 2,600 kids would move off of CHIP and into Medicaid because the asset test would be removed. Approximately, 3,000 children are currently insured between 150 and 175% of poverty. The Department pays the costs that are the mental health costs above MHSP costs, but does not tell Blue Cross-Blue Shield what to pay the majority of providers under CHIP. **SEN. WATERMAN** suggested that if the whole purpose was to increase coverage for uninsured children then the Committee should increase the poverty level as long as the money is being controlled.

In discussion about Blue Cross-Blue Shield, it was noted that Blue Cross-Blue Shield negotiated a 6% increase with the Department, but did not cut provider rates. It was further remarked that the Department buys the insurance product from Blue Cross-Blue Shield and Blue Cross-Blue Shield negotiates what it pays.

**{Tape : 2; Side : A; Approx. Time Counter : 33.9-42}**

**Motion:** **SEN. KEENAN** moved **THE LEGISLATIVE ESTIMATES ON TABLE 2.**

**Discussion:** The motion accepts the staff projections as opposed to the Department's projections, which are \$1.275 lower. **Ms. Welsh** asked if the motion included the estimate of eligibles and the rate, to which the Committee concurred. She further stated that it will effect the MOE for the Mental Health Block Grant, and will cost the Department \$600,000 per year and short the Department MOE in block grant. **CHAIRMAN LEWIS** said that if **Mr. Mullen** could use some of Warm Springs planning money, it may not effect the MOE for the block grant. **Mr. Mullen** reiterated that the \$350,000 estimated shortage in FY02 was based on the Executive Budget and cautioned that the current motion will leave the Department short an additional \$600,000 each fiscal year. If this is used wisely, however, the Department should be able to stay very close, even on the MOE requirement.

**{Tape : 2; Side : A; Approx. Time Counter : 42-45.1}**

**Ms. Steinbeck** commented that Table 2 is the adjusted base, if the Committee wants to adopt the 1.4% and 2.8% rate increases

proposed by the Executive, the LFD staff will work with the Department to fund rate increases.

**Vote:** Motion carried 5-1 with Waterman voting no.

***{Tape : 2; Side : A; Approx. Time Counter : 45.1-51.2}***

**Motion:** SEN. COBB moved TO TAKE THE \$1.275 SAVINGS AND MOVE IT TO KIDS LIGHT LINE ITEM AND RESTRICTED BIENNIAL APPROPRIATION.

**Discussion:** REP. JAYNE asked if it was possible to use these funds in other Departments or if it is restricted to here. SEN. KEENAN said that he appreciates what SEN. COBB is trying to do, but will resist it, because he wants it left here. He wants the money sitting there to force school-based mental health services, provider groups, and everybody to come to the table over the next two or three weeks and come to some resolution over what services will be offered, licensure, performance measures, outcome standards, and all of that. He wants the money available so that it can be used for these things.

SEN. COBB said that he did not think that the money was in the budget, but that it was general fund. Ms. Steinbeck said that depending on the action of the motion, it will stay in the budget or go to the ending fund balance. SEN. COBB said that if no action is taken now, the Committee will not see the money again. He wants someone to have to take a positive motion to take it away.

Mr. Anderson remarked that if the \$1.275 million in general fund in the budget in addition to the refinancing done with TANF maintenance of effort funds, the Department would be able to expand services back to the same level for about 100 kids that would be served in Kids Light.

In further discussion, Director Gray said that if the Kids Light money that we are paying for with TANF maintenance of effort funds is really gone next biennium, then this money would at least be in the base. Director Gray further stated that more money dedicated to kids in the base would mean a better chance of continuing some of those things.

***{Tape : 2; Side : B; Approx. Time Counter : 4.4-6.2}***

**Substitute Motion/Vote:** REP. JAYNE made a substitute motion TO ADD \$132,000 OF GENERAL FUND PER YEAR TO PROGRAM 5 WITH MATCHING FEDERAL FUNDS AND ALSO WOULD MOVE TO ADD 8 FTE. Substitute motion failed 2-4 with Cobb and Jayne voting aye.

***{Tape : 2; Side : B; Approx. Time Counter : 6.2-7.1}***

The Committee voted on **SEN. COBB's** motion.

**Vote:** Motion failed 3-3 with Clark, Keenan, and Lewis voting no.

***{Tape : 2; Side : B; Approx. Time Counter : 7.1- 7.7}***

**Motion:** SEN. COBB moved \$600,000 GENERAL FUND BIENNIAL APPROPRIATION RESTRICTED LINE ITEM TO GO TO KIDS LIGHT.

**Discussion:** In response to a query from REP. JAYNE regarding how other Committee members might wish to use this money, members suggested using the money to move kids from high cost services to community-based services, to use the money for children's mental health issues, and for more rate increases for direct care employees. SEN. COBB said that there are plenty of places to spend the money, but that he would like to see more spent on direct care employees. Kids were not the problem with the budget, but they are being cut. SEN. KEENAN said that First Health has made a lot of progress with identification of the needs of the system, particularly in regard to the high cost children.

***{Tape : 2; Side : B; Approx. Time Counter : 7.7-16.5}***

**Vote:** Motion failed 3-3 with Clark, Keenan, and Lewis voting no.

**PRESENT LAW ADJUSTMENTS:**

***{Tape : 2; Side : B; Approx. Time Counter : 16.5-20.1 }***

**Motion/Vote:** REP. CLARK moved TO ADOPT DP 1, MENTAL HEALTH SUPPLEMENTAL AND COST CONTAINMENT 27 FTE AND \$1 MILLION GENERAL FUND EACH YEAR OF THE BIENNIUM. Motion carried 4-2 with Cobb and Waterman voting no.

***{Tape : 2; Side : B; Approx. Time Counter : 20.1-21.2}***

At present, the general fund for Kids Light is in the maintenance of effort appropriation for the Human and Community Services Division, Ms. Steinbeck asked the Committee if it wants to move the appropriation to AMDD with restrictions. Director Gray said that it would seem logical to her that it would be placed in AMDD.

***{Tape : 2; Side : B; Approx. Time Counter : 21.1-23}***

**Motion/Vote:** SEN. WATERMAN moved THAT THE GENERAL FUND APPROPRIATION FOR KIDS LIGHT CURRENTLY IN PROGRAM 2 BE MOVED TO PROGRAM 33. Motion carried 5-1 with Cobb voting no.

***{Tape : 2; Side : B; Approx. Time Counter : 23-23.6}***

**Motion/Vote:** REP. LEWIS moved TO MAKE THE APPROPRIATION FOR KIDS LIGHT MOVED TO PROGRAM 33 RESTRICTED AND LINE ITEM. Motion carried unanimously.

*{Tape : 2; Side : B; Approx. Time Counter : 23.6-25.3}*

**Motion/Vote:** SEN. COBB moved THE APPROPRIATION OF MSH AND NURSING CARE CENTER FEDERAL FUNDS TO FEDERAL FUND TYPE. Motion carried unanimously.

*{Tape : 2; Side : B; Approx. Time Counter : 25.3-25.6}*

**Ms. Steinbeck** and **Mr. Anderson** discussed the LFD issues related to the use of the intergovernmental transfer program to fund the psychiatric rate increase in the Medicaid budget for Frontier rates. They also went over the contract issues mentioned by Ms. Steinbeck. **Mr. Anderson** explained that the contracts have not been signed and that they are three-way contracts between the Department, the counties within the regional mental health center catchment, and the mental health center, to allow the transfer of the county funds to the Department to use as Medicaid match. The additional duties in the contract are really duties that the community mental health centers already have and most of those services are being paid for. The contracts have been discussed with HCFA in Denver, and there does not seem to be a problem using the intergovernmental transfer for this purpose. HCFA does reserve the right to approve the final contract language and state plan amendment. This was done to assure that the services in the most sparsely populated counties would be available through the existing regional mental health centers, using some county funds.

**NEW PROPOSALS:**

*{Tape : 2; Side : B; Approx. Time Counter : 25.6-33.1}*

In further discussion of the issue with DP 38, **Bob Mullen** explained that there is no general fund in DP 38; that it is Medicaid only, funded entirely from county match. **CHAIRMAN LEWIS** asked **Ms. Steinbeck** to clarify her concerns. **Ms. Steinbeck** said that the Committee has not yet budgeted an IGT in ongoing rate increases. It is a policy decision that could be made, but this is not the way it has been done. Secondly, it is problematic that the mental health services are supposed to provide services that this rate increase is going to fund. Part of this is a contract enforcement issue; if this duty is already in statute, then the contract would be redundant. The general fund has already been adopted as part of the Medicaid caseload estimates as well as the state special revenue. The Department is asking for an increase in state special revenue. If this is line item and one time only, it will make it more difficult at the agency level to administer and manage it.

*{Tape : 2; Side : B; Approx. Time Counter : 40.8-43.6}*

**Motion/Vote:** SEN. WATERMAN moved TO ADOPT THE INTERGOVERNMENTAL TRANSFER PORTION OF DP 38 FRONTIER RATE ANNUALIZATION. Motion carried unanimously.

Ms. Steinbeck went over the language in which Senior and Long-Term Care Division was given \$1 million in federal funds each year of the biennium and allowed to use existing general fund to draw down more federal funds as long as they do not increase the state general fund expenditures in the 2003 biennium. **EXHIBIT**(jhh41a03)

*{Tape : 2; Side : B; Approx. Time Counter : 43.7-43.8}*

**Motion/Vote:** SEN. WATERMAN moved TO ADOPT THE LANGUAGE THAT WOULD ALLOW SENIOR AND LONG-TERM CARE IS AUTHORIZED TO PURSUE UP TO \$2 MILLION IN FEDERAL FUNDS OVER THE BIENNIUM TO ENHANCE OR IMPROVE DIVISION SERVICES OR PROGRAMS. THESE ADDITIONAL FEDERAL FUNDS MAY BE EXPENDED BY THE DIVISION ON SERVICES AS LONG AS THOSE ACTIONS DO NOT REQUIRE OR COMMIT THE STATE TO ADDITIONAL GENERAL FUND EXPENDITURES BEYOND THE AMOUNT APPROPRIATED FOR THE 2003 BIENNIUM BY THE LEGISLATURE TO THE DIVISION. Motion carried unanimously.

*{Tape : 2; Side : B; Approx. Time Counter : 47.7-51.2}*

**Motion:** REP. LEWIS moved TO REMOVE THE \$2 MILLION BROUGHT BACK TO COUNTIES FROM THE INTERGOVERNMENTAL TRANSFER FROM THE SENIOR AND LONG-TERM CARE PROGRAM GENERAL FUND.

**Discussion:** Director Gray said that she did not want the money taken from Senior and Long-Term Care. She suggested that it should be taken from Medicaid, since the reason for this was an increase in the Supplemental. Ms. Welsh said that the Budget Office wanted the flexibility for the Department to allocate this. It was presented in the February 12 letter to the Committee as a spot to park it in Senior and Long-Term Care. The Executive would like to take it out of the Health Policy and Services Medicaid portion where the cost overruns occurred.

*{Tape : 3; Side : A; Approx. Time Counter : 0.3 - 1.3}*

**CHAIRMAN LEWIS** changed his motion to reduce general fund in the amount of \$2 million per year and budget a like amount of state special revenue each year in the Medicaid program in Health Policy and Services Division. **EXHIBIT**(jhh41a04)

**Vote:** Motion failed 3-3 with Cobb, Jayne, and Waterman voting no.

**SEN. KEENAN** asked about the general fund expenditure for the base budget in AMDD or Mental Health Services Bureau. It was

determined that it would be about \$53 million without considering the Supplemental. The Supplemental was \$4 million in general fund in FY00 and \$9 to \$12 million. SEN. WATERMAN asked staff to go back and review to make sure that all the decision packages have been done.

**REP. JAYNE** read language regarding legislative intent to the Committee members **EXHIBIT (jhh41a05)**.

*{Tape : 3; Side : A; Approx. Time Counter : 5.6-6.8}*

**Mike Hanshaw, Administrator of Senior and Long-Term Division**, said that the language was fine with them, but that before allocation of the increase in the federal grant, the Division would make sure that the Area Agencies on Aging that would distribute the grant program would look at the nutrition program first to assess the need for the money.

*{Tape : 3; Side : A; Approx. Time Counter : 6.8-7.3}*

**Motion/Vote:** **REP. JAYNE** moved **LANGUAGE THAT THE DEPARTMENT WOULD REQUIRE THAT AREA AGENCIES ON AGING PROVIDE A WRITTEN ASSESSMENT OF THE NEED FOR INCREASED FUNDING IN THEIR NUTRITION PROGRAMS PRIOR TO EXPENDING THE ADDITIONAL TITLE III OF THE OLDER AMERICANS ACT GRANT FUNDS APPROPRIATED BY THE LEGISLATURE. Motion carried unanimously.**

*{Tape : 3; Side : A; Approx. Time Counter : 7.3-11.0}*

In discussion on FAIM Phase II R, **REP. JAYNE** mentioned that there was HB 273 by Ron Erickson which transferred \$3.5 million TANF funds to affordable housing revolving loan accounts, and there was also a similar amount in the Committee in FAIM Phase II R for low-income housing. According to the discussion in Appropriations, this may or may not be the same money. The question is how would these bills impact what the Committee did in FAIM Phase II R. It was suggested to **REP. JAYNE** that as those items are considered in Appropriations, she might wish to offer amendments to HB 2 to address them. It was further suggested that **REP. JAYNE** work with **Ms. Gervais** on an amendment to HB 2. **REP. JAYNE** asked if that would be the same if she wanted to line item FAIM Phase II R. **CHAIRMAN LEWIS** said that they had been listed separately, but it was left to the Department so that there would be flexibility in funding between the projects.

*{Tape : 3; Side : A; Approx. Time Counter : 11.2-13.4}*

**Hank Hudson, Administrator of Human and Community Services**, the Committee's action this morning is one big example of why the Department does not like to have the appropriation restricted. That action means that we have to go back to 2001 and cut \$400,000 out of contracts that are eight months old.



**{Tape : 3; Side : A; Approx. Time Counter : 13.4}**

**Ms. Gervais** explained that the Department will have to shift funding around and take expenditures that were funded with general fund and now fund them with federal funds in order to free up general fund. This would address the need for flexibility within some of the appropriations. **Mr. Hudson** replied that the Department could only use current year TANF money to do this, and that money has been laid out in projects that are now eight months old.

**Ms. Steinbeck** said that this is an accounting transaction moving funds out of general funds into federal funds and should not have any impact on reduction of services. **CHAIRMAN LEWIS** said that he did not think the Committee intended reducing services, but thought it was making the lower matching rate retroactive to pick up some money. **Mr. Hudson** said that they are saying to take the general fund maintenance of effort that the Department had up to 77% in 2001, and have taken that out, and it was being spent on things. When it was taken out, whatever it was being spent on can either stop or else TANF money will be taken to spend on those things. When TANF money is taken to spend on those things, whatever the TANF money was being spent on will stop. That is the Committee decision. **Mr. Hudson** said that his point was that if they had all restricted appropriations then there would be no way to go back and approve just \$400,000 worth of plans.

**REP. JAYNE** asked if the \$400,000 may be taken from FAIM Phase II R. **Ms. Gervais** said that it is difficult to say since that would affect the current biennium. If in fact the Department is spending the full current year block grant within the 2001 biennium, then there would be a current year reduction in services because there would be no current year federal funds available. If they are not spending the current year block grant then the funding shift could be achieved with only a slight impact on FAIM Phase II. **CHAIRMAN LEWIS** requested the LFD staff and Department to work on this.

**ADJOURNMENT**

Adjournment: 10:25 A.M.

---

REP. DAVE LEWIS, Chairman

---

SYDNEY TABER, Secretary

DL/ST

**EXHIBIT** (jhh41aad)